



# TOWN OF *Kiawah Island*

283645

**Mayor**

Craig E. Weaver

**Council Members**

Maryanne Connelly

Daniel Prickett

Klaus Said

Chris Widuch

**Town Administrator**

Stephanie Monroe Tillerson

March 20, 2019

**Public Service Commission of South Carolina**

Attn: Clerk's Office

101 Executive Center Drive, Suite 100

Columbia, SC 29210

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Public Service Commission Members,

I am writing on behalf of the Town of Kiawah Island, in connection with the Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Services (Docket No. 2018-257-WS). The Town is a party of record in this matter.

We have reviewed the record in this case, including all initial filings, the subsequent testimony of both KIU and ORS, and the stipulation agreement between the Kiawah Island Utility (KIU), Office of Regulatory Staff (ORS), and the St. Johns Fire District (STJFD). We offer the following comments for PSC consideration.

1. The Town supports the findings and recommendations of ORS staff members Butler and Schellinger in their testimony submitted on February 14, 2019, including the recommended adjustments and the recommended operating margin of 14%.
2. The Town supports all provisions of the proposed Stipulation, except for item 5 (operating margin), and item 10 (hydrant fees). Our objection to these provisions is as follows:

**Operating Margin** - An increase in operating margin above the current 14% is not supported by the application or testimony provided by KIU nor is it consistent with the original ORS recommendation. The current margin of 14% is already near the top end of the 10% to 15% range considered appropriate for similar water utilities and reflects increases in operating margin previously granted to KIU in each of their most recent rate adjustments.

KIU has offered no compelling evidence as to why this further increase is required, nor indicated how this increase will benefit the utility's operations, performance, or service to customers. In its testimony, KIU contends solely that a higher margin is "justified by KIU's excellent record of safe and reliable operations, environmental compliance, and customer service." While we agree that KIU has been a reliable operator, these factors cited by KIU are simply basic expectations of any utility and fall short of being sufficient arguments for additional operating margin.

**Hydrant Fees** - While we can support the recovery of hydrant fees through rates at a future date, this change is premature and inequitable to KIU's ratepayers. The St. John's Fire District currently absorbs hydrant fees from three separate water utility companies within the Fire District's jurisdiction and passes those costs on to their taxpayers. Currently there is no agreement by those other water utilities to similarly roll these hydrant fees into their water respective rates. Absent a consistent fee approach by all three water utilities, this change


will result in Kiawah's rate payers absorbing this cost from KIU, yet also be sharing, through their tax levy to the fire district, in the hydrant fees of these other water companies.

The Town has previously communicated with the St. John's Fire District that it would support this change at such time that STJFD sought and reached an agreement with these other water utilities for a common practice, and that the Town was willing to aid the fire district in reaching such an agreement. Consequently, we would propose that this action either be: a) denied and brought back by KIU for consideration in a future rate adjustment, or b) granted, but inclusion into the water rate be deferred until STJFD has reached agreement with its other utilities for a common rate treatment.

The Town of Kiawah Island, representing its residents and property owners, respectfully asks that the Commission consider and incorporate these comments when making their final determination on this matter. The Town will not participate in the Public Hearing, nor cross-examine any witnesses.

If you have any questions, please feel free to contact me by email at [cweaver@kiawahisland.org](mailto:cweaver@kiawahisland.org) or at 843.768.9166.

Regards,



Craig Weaver, Mayor  
Town of Kiawah Island

Cc: Town of Kiawah Island Town Council  
Dawn Hipp, Chief Operating Officer, ORS  
Becky Dennis, General Manager, Kiawah Island Utility  
Colleen Walz, Fire Chief, St. John's Fire District